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## **Microware Group Limited**

## **美高域集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1985)**

### **ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019**

#### **HIGHLIGHTS**

- Total revenue of the Group amounted to approximately HK\$651.0 million for the Period, representing an increase of approximately HK\$61.7 million or 10.5% as compared to approximately HK\$589.3 million for the Previous Period.
- Profit and total comprehensive income of the Group attributable to owners of the Company for the Period was approximately HK\$12.6 million, representing an increase of approximately HK\$2.3 million or 22.3% as compared to approximately HK\$10.3 million for the Previous Period.
- Basic earnings per Share for the Period was HK\$0.04, as compared to HK\$0.03 for the Previous Period.
- The Board does not recommend the payment of an interim dividend for the Period (Previous Period: HK\$0.04 per Share).

## INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**” and each a “**Director**”) of Microware Group Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 September 2019 (the “**Period**”), together with the comparative figures for the corresponding period in 2018 (the “**Previous Period**”) as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the six months ended 30 September 2019*

		Six months ended 30 September	
	NOTES	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Revenue	3	650,993	589,324
Cost of sales		<u>(584,460)</u>	<u>(532,552)</u>
Gross profit		66,533	56,772
Other income		557	570
Other gains and losses, net		(3,812)	(694)
Other expenses		(1,572)	(1,046)
Distribution and selling expenses		(31,913)	(29,537)
Administrative expenses		(14,514)	(13,474)
Finance costs		<u>(10)</u>	<u>—</u>
Profit before taxation		15,269	12,591
Taxation	4	<u>(2,836)</u>	<u>(2,372)</u>
Profit and total comprehensive income for the period	5	<u><b>12,433</b></u>	<u>10,219</u>
Profit/(loss) and total comprehensive income/(expense) for the year attributable to:			
— owners of the Company		12,585	10,314
— non-controlling interest		<u>(152)</u>	<u>(95)</u>
		<u><b>12,433</b></u>	<u>10,219</u>
Earnings per share	7		
Basic (HK\$)		<u><b>0.04</b></u>	<u>0.03</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

		At 30 September 2019 <i>HK\$'000</i> (unaudited)	At 31 March 2019 <i>HK\$'000</i> (audited)
	<i>NOTES</i>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		3,828	2,119
Deferred tax asset		388	388
Deposit paid for acquisition of property, plant and equipment		804	1,184
Prepayments and deposits	8	1,062	1,465
Derivative financial instruments		27	—
		<u>6,109</u>	<u>5,156</u>
<b>CURRENT ASSETS</b>			
Inventories		38,393	39,043
Trade and other receivables, prepayments and deposits	8	269,600	207,660
Pledged bank deposit		10,259	9,909
Bank balances and cash		145,301	252,385
		<u>463,553</u>	<u>508,997</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables and accruals	9	202,099	214,318
Amount due to a non-controlling interest of a subsidiary		699	599
Contract liabilities		53,924	81,959
Tax liabilities		3,231	1,879
Leases liabilities		328	—
		<u>260,281</u>	<u>298,755</u>
<b>NET CURRENT ASSETS</b>		<u>203,272</u>	<u>210,242</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>209,381</u>	<u>215,398</u>
<b>NON-CURRENT LIABILITIES</b>			
Derivative financial instruments		—	248
Contract liabilities		3,364	5,066
		<u>3,364</u>	<u>5,314</u>
<b>NET ASSETS</b>		<u>206,017</u>	<u>210,084</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	10	3,000	3,000
Reserves		203,422	207,337
Equity attributable to owners of the Company		206,422	210,337
Non-controlling interest		(405)	(253)
		<u>206,017</u>	<u>210,084</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

### 1. GENERAL AND BASIS OF PREPARATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 20 January 2016. The Group is principally engaged in the provision of information technology (“IT”) infrastructure solutions services and IT managed services in Hong Kong.

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”).

The condensed consolidated financial statements are presented in Hong Kong dollar (“HK\$”) which is also the functional currency of the Company.

### 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2019 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2019.

#### Application of new and amendments to HKFRSs and an interpretation

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs and an interpretation issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 April 2019 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC) — Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 - 2017 Cycle

Except for the new HKFRSs that have been applied in accordance with the relevant transition provisions in the respective standards which results in changes in accounting policies and amounts reported as described below, the application of other amendments to HKFRSs and the interpretation in the current interim period has had no material effect on the amounts reported set out in these condensed consolidated financial statements.

## **2.1 Impacts and changes in accounting policies of application on HKFRS 16 “Leases”**

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 “Leases” (“**HKAS 17**”), and the related interpretations.

### ***2.1.1 Key changes in accounting policies resulting from application of HKFRS 16***

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

#### *Definition of a lease*

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

#### *As a lessee*

##### Short-term leases

The Group applies the short-term lease recognition exemption to leases of premises that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

##### Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets in “property, plant and equipment”, the same line item as that within which the corresponding underlying assets would be presented if they were owned.

#### Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 “Financial Instruments” (“**HKFRS 9**”) and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets. In the opinion of the directors of the Company, the discounting effect at transition on the rental deposits is insignificant.

#### Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determine.

The lease payments include fixed payments less any lease incentives receivable.

#### Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 “Income Taxes” requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

## **2.1.2 Transition and summary of effects arising from initial application of HKFRS 16**

### *Definition of a lease*

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) — Int 4 “Determining whether an Arrangement contains a Lease” and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

### *As a lessee*

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts relied on the assessment of whether leases are onerous by applying HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets” as an alternative of impairment review.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 4.375%.

	<b>At</b> <b>1 April 2019</b> <i>HK\$'000</i>
On transition, the Group has made the following adjustments upon application of HKFRS 16:	
Operating lease commitments disclosed as at 31 March 2019	936
Lease liabilities discounted at relevant incremental borrowing rates	918
Less: Recognition exemption — short-term leases	(351)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 as at 1 April 2019	<u>567</u>
Analysed as	
Current	484
Non-current	83
	<u>567</u>

The carrying amount of right-of-use assets as at 1 April 2019 comprises the following:

	<b>At</b> <b>1 April 2019</b> <i>HK\$'000</i>
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	<u>567</u>
By class:	
Land and buildings	<u>567</u>



The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 April 2019. Line items that were not affected by the changes have not been included.

	<b>Carrying amounts previously reported at 31 March 2019 <i>HK\$'000</i></b>	<b>Adjustments <i>HK\$'000</i></b>	<b>Carrying amounts under HKFRS 16 at 1 April 2019 <i>HK\$'000</i></b>
<b>Non-current assets</b>			
Right-of-use assets	—	567	567
<b>Current liabilities</b>			
Lease liabilities	—	484	484
<b>Non current liabilities</b>			
Lease liabilities	—	83	83
	<u>                    </u>	<u>                    </u>	<u>                    </u>

*Note:* For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 September 2019, movements in working capital have been computed based on opening condensed consolidated statement of financial position as at 1 April 2019 as disclosed above.

### 3. SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the executive directors of the Company who are also the chief operating decision makers (the “CODM”) that are used to make strategic decisions. Information reported to the CODM is based on the business lines operating by the Group. No operating segments have been aggregated to form the following reportable segments.

Details of the Group’s operating and reportable segments are as follows:

- (1) IT infrastructure solution services business refers to the procurement of hardware and software by the Group and such procurement together with provision of design of solutions; and
- (2) IT managed services business refers to the provision of design of solutions, provision of maintenance and/or support services to IT systems of the customers and provision of training programmes relating to cyber security by the Group.

## Segment revenue and results

An analysis of the Group's operating and reportable segment revenue and segment results is set out as below:

	<b>IT infrastructure solution services business HK\$'000</b>	<b>IT managed services business HK\$'000</b>	<b>Total HK\$'000</b>
<b>For the six months ended 30 September 2019 (unaudited)</b>			
Segment revenue	<u>589,327</u>	<u>61,666</u>	<u>650,993</u>
Segment results	<u>23,893</u>	<u>7,970</u>	31,863
Other income			557
Certain other gains and losses, net			11
Other expenses			(1,572)
Certain distribution and selling expenses			(1,066)
Administrative expenses			(14,514)
Finance cost			<u>(10)</u>
Profit before taxation			<u>15,269</u>
	<b>IT infrastructure solution services business HK\$'000</b>	<b>IT managed services business HK\$'000</b>	<b>Total HK\$'000</b>
<b>For the six months ended 30 September 2018 (unaudited)</b>			
Segment revenue	<u>532,225</u>	<u>57,099</u>	<u>589,324</u>
Segment results	<u>20,764</u>	<u>7,189</u>	27,953
Other income			570
Other gains and losses, net			(694)
Other expenses			(1,046)
Certain distribution and selling expenses			(718)
Administrative expenses			<u>(13,474)</u>
Profit before taxation			<u>12,591</u>

Segment result represents the profit earned by each segment without allocation of other income, certain other gains and losses, other expenses, certain distribution and selling expenses, administrative expenses and taxation.

No analysis of the Group's assets and liabilities by reportable segments is disclosed as it is not regularly provided to the executive directors of the Company for review.

#### Other segment information

	<b>IT infrastructure solution services business HK\$'000</b>	<b>IT managed services business HK\$'000</b>	<b>Unallocated HK\$'000</b>	<b>Total HK\$'000</b>
Amounts included in the measure of segment results:				
<b>For the six months ended</b>				
<b>30 September 2019 (unaudited)</b>				
Depreciation	181	486	308	975
Reversal of allowance for inventories	(180)	—	—	(180)
Allowance for impairment losses in respect of trade receivables	<u>3,823</u>	<u>—</u>	<u>—</u>	<u>3,823</u>
<b>For the six months ended</b>				
<b>30 September 2018 (unaudited)</b>				
Depreciation	133	161	242	536
Allowance for inventories	1,260	—	—	1,260
Reversal of allowance for impairment losses in respect of trade receivables	<u>(245)</u>	<u>(32)</u>	<u>—</u>	<u>(277)</u>

#### 4. TAXATION

	<b>Six months ended 30 September</b>	
	<b>2019</b>	<b>2018</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Current tax:		
Hong Kong Profits Tax	<u>2,836</u>	<u>2,372</u>

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime (i.e. other subsidiaries of the Group) will continue to be taxed at a flat rate of 16.5%.

Hong Kong Profits Tax is calculated in accordance with the two-tiered profits tax rates regime for the period ended 30 September 2019 and at 16.5% of the estimated assessable profits for the period ended 30 September 2018.

## 5. PROFIT FOR THE PERIOD

	Six months ended 30 September	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging (crediting):		
Cost of inventories recognised as an expense	534,789	486,694
Depreciation of property, plant and equipment	975	536
(Reversal of allowance) allowance for inventories (included in cost of sales)	(180)	1,260
Allowance (reversal of allowance) for impairment losses in respect of trade receivables	3,823	(277)
	<u>538,387</u>	<u>488,113</u>

## 6. DIVIDENDS

No interim dividend was declared for the six months ended 30 September 2019 (six months ended 30 September 2018: HK\$12 million of HK\$0.04 per share). Final dividend for the year ended 31 March 2019 of HK\$16.5 million of HK\$0.055 per share (year ended 31 March 2018: HK\$21 million of HK\$0.07 per share) was paid during the six months ended 30 September 2019.

## 7. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the following data:

	Six months ended 30 September	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Earnings:		
Earnings for the period for the purpose of basic earnings per share	12,585	10,314
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	300,000	300,000

No diluted earnings per share for both periods was presented as there were no potential ordinary shares in issue during both periods.

## 8. TRADE AND OTHER RECEIVABLES, PREPAYMENT AND DEPOSITS

	At 30 September 2019 <i>HK\$'000</i> (unaudited)	At 31 March 2019 <i>HK\$'000</i> (audited)
Trade receivables	254,469	174,858
Less: Allowance for impairment losses	(3,823)	—
	<u>250,646</u>	<u>174,858</u>
Rental deposits	312	310
Prepayment for costs of maintenance services	14,561	16,376
Deposits paid to a supplier	—	13,260
Others	5,143	4,321
	<u>270,662</u>	<u>209,125</u>
Total trade and other receivables, deposits and prepayments	<u><b>270,662</b></u>	<u><b>209,125</b></u>
Analysed as:		
Current	269,600	207,660
Non-current	1,062	1,465
	<u>270,662</u>	<u>209,125</u>

Before accepting any new customer, the Group performs a credit review to assess the potential customer's credit quality and defines credit limits by customer. Limits and credit rating to customers are reviewed on a regular basis. The Group allows credit period of 30 to 60 days to its customers.

The following is an ageing analysis of trade receivables from third parties net of allowance for impairment losses presented based on the invoice date at the end of the reporting period:

	At 30 September 2019 <i>HK\$'000</i> (unaudited)	At 31 March 2019 <i>HK\$'000</i> (audited)
0 to 30 days	96,362	92,780
31 to 60 days	65,582	28,322
61 to 90 days	34,951	16,450
91 to 120 days	14,730	7,119
121 to 180 days	14,644	12,594
Over 180 days	24,377	17,593
	<u>250,646</u>	<u>174,858</u>

## 9. TRADE AND OTHER PAYABLES AND ACCRUALS

The following is an analysis of trade and other payables and accruals:

	At 30 September 2019 <i>HK\$'000</i> (unaudited)	At 31 March 2019 <i>HK\$'000</i> (audited)
Trade payables	160,025	176,296
Accrued staff costs	20,687	15,855
Others	21,387	22,167
	<u>202,099</u>	<u>214,318</u>
Analysed as:		
Current	<u>202,099</u>	<u>214,318</u>

The following is an ageing analysis of trade payables presented based on the invoice date:

	At 30 September 2019 <i>HK\$'000</i> (unaudited)	At 31 March 2019 <i>HK\$'000</i> (audited)
0 to 30 days	153,566	97,693
31 to 60 days	5,691	49,148
61 to 90 days	171	21,835
Over 90 days	597	7,620
	<u>160,025</u>	<u>176,296</u>

## 10. SHARE CAPITAL

	<b>Number of shares</b>	<b>Amount HK\$'000</b>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 April 2018, 30 September 2018, 1 April 2019 and 30 September 2019	<b><u>5,000,000,000</u></b>	<b><u>50,000</u></b>
Issued and fully paid:		
At 1 April 2018, 30 September 2018, 1 April 2019 and 30 September 2019	<b><u>300,000,000</u></b>	<b><u>3,000</u></b>

All issued shares of the Company rank pari passu in all respects with each other.

## 11. PERFORMANCE GUARANTEES

As at 30 September 2019, the performance guarantees of the Group of approximately HK\$22,364,000 (31 March 2019: HK\$22,295,000) were given by a bank in favour of the Group's customers as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and their customers. If the Group fails to provide satisfactory performance to their customers to whom performance guarantees have been given, such customers may demand the bank to pay them the sum or sum stipulated in such demand. The Group will become liable to compensate the bank accordingly. The performance guarantee will be released upon completion of the contract works.

As at 30 September 2019 and 31 March 2019, the directors of the Company did not consider that it is probable that a claim will be made against the Group.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Company is principally engaged in the provision of IT infrastructure solutions services and IT managed services in Hong Kong. The Group strives to provide one-stop IT experience which begins with (i) consultation and advice; (ii) hardware and/or software procurement; (iii) implementation; (iv) management and maintenance of the IT infrastructure solutions; to (v) provision of cyber securities training programmes.

On 8 March 2017 (the “**Listing Date**”), the Company was successfully listed (the “**Listing**”) on the Main Board of the Stock Exchange. Through the Listing, the Group aims to significantly enhance the corporate governance and transparency in order to (i) continue its current business strategy of undertaking large-scale contracts; (ii) maintain and improve its quality of services to clients; (iii) improve its efficiency and achieve cost control; and (iv) strengthen its market position.

For the Period, the total revenue of the Group increased by approximately HK\$61.7 million or 10.5% as compared to that for the Previous Period. Such increase was due to the increase in revenue generated from the IT infrastructure solutions services and IT managed services business of the Group.

The Group has a good result in first six months of 2019 in both business segments. In view of the current environment of Hong Kong, the Board believes that the business environment of Hong Kong is challenging. The Group’s management team will continue to take proactive actions with an aim to improve the Group’s operations and results.



## **FINANCIAL REVIEW**

### **Revenue**

Total revenue of the Group amounted to approximately HK\$651.0 million for the Period, representing an increase of approximately HK\$61.7 million or 10.5% as compared to approximately HK\$589.3 million for the Previous Period. The increase in total revenue was mainly due to the increase in revenue of the business segment of IT infrastructure solution services which was approximately HK\$589.3 million for the Period, representing an increase of approximately HK\$57.1 million or 10.7% as compared to approximately HK\$532.2 million for the Previous Period. The revenue of the business segment of IT managed services was approximately HK\$61.7 million, representing an increase of approximately HK\$4.6 million or 8.1% as compared to approximately HK\$57.1 million for the Previous Period. For the Period, the business segments of IT infrastructure solutions services and IT managed services contributed approximately 90.5% and 9.5% to the total revenue of the Group, respectively.

### **Cost of sales**

The cost of sales of the Group for the Period was approximately HK\$584.5 million, representing an increase of approximately HK\$51.9 million or 9.7% from approximately HK\$532.6 million for the Previous Period. Such increase was generally in line with the increase in the Group's total revenue.

### **Gross profit**

Gross profit of the Group for the Period was approximately HK\$66.5 million, representing an increase of approximately HK\$9.7 million or 17.1% from approximately HK\$56.8 million for the Previous Period. Such increase was mainly due to the increase in revenue.

### **Gross profit margin**

Gross profit margin of the Group for the Period was approximately 10.2% which is quite stable compared to that of the Previous Period of approximately 9.6%.

### **Operating expenses**

Total operating expenses of the Group for the Period was approximately HK\$46.4 million, representing an increase of approximately HK\$3.4 million or 7.9% as compared to approximately HK\$43.0 million for the Previous Period. Such increase was due to the increase in the selling and distribution expenses of approximately HK\$2.4 million as a result of the increase in revenue and staff cost during the Period.

## **Other gains and losses**

The increase in other gains and losses of approximately HK\$3.1 million derives from the allowance for impairment losses of trade receivables of approximately HK\$3.8 million.

## **Profit for the Period**

As a result of the foregoing, in particular the increase in the gross profit which was partially offset by the increase in the distribution and selling expenses. The profit and total comprehensive income of the Group increased by approximately HK\$2.3 million (or 22.3%) to approximately HK\$12.6 million for the Period from HK\$10.3 million for the Previous Period.

## **Liquidity and financial resources**

### ***Capital structure***

The Group did not have any borrowings as at 30 September 2019 (31 March 2019: Nil). The details of the share capital of the Company during the Period and the Previous Period are set out in note 10 on page 15 of this announcement.

### ***Cash position***

The Group recorded net current assets of approximately HK\$203.3 million as at 30 September 2019 (31 March 2019: approximately HK\$210.2 million). As at 30 September 2019, the Group had cash and cash equivalents of approximately HK\$126.7 million (31 March 2019: approximately HK\$230.3 million).

### ***Capital expenditure***

During the Period, the Group's total capital expenditure amounted to approximately HK\$0.5 million as at 30 September 2019 (Previous Period: approximately HK\$1.8 million), which was mainly incurred for acquisition of office equipment.

### ***Gearing ratio***

The net gearing ratio of the Group (net borrowings, including interest-bearing bank loans and other borrowings less cash and cash equivalents and restricted cash, divided by the total equity) was not applicable as at 30 September 2019 and 31 March 2019 respectively, since the Group did not have any interest-bearing liabilities as at 30 September 2019 and 31 March 2019 respectively.

### ***Performance guarantees***

The Group's performance guarantees as at 30 September 2019 are set out in note 11 on page 15 of this announcement (Previous Period: HK\$16,496,000).

### ***Contingent liabilities***

The Group's contingent liabilities as at 30 September 2019 are set out in note 11 on page 15 of this announcement. Save as disclosed in this announcement, the Group has no other contingent liabilities as at 30 September 2019 and 31 March 2019.

### ***Pledge of assets***

As at 30 September 2019, certain of the Group's bank deposits totaling HK\$10.3 million (31 March 2019 HK\$9.9 million) were pledged as securities for securing banking facilities granted to the Group.

### ***Foreign exchange risk***

The Group's transactions are mainly denominated and settled in Hong Kong Dollars ("HK\$") and the United States Dollars ("US\$"). Foreign exchange exposure of the Group to US\$ will continue to be minimal as long as the policy of The Government of the Hong Kong Special Administrative Region to link HK\$ to US\$ remains in effect. During the Period, the Group has entered into HK\$/US\$ net-settled structured foreign currency forward contracts with banks in Hong Kong in order to mitigate foreign exchange exposure as a result of purchases made from certain suppliers in its regular course of business. The fair value changes of the derivative financial instruments comprised realized gain (loss) and unrealized fair value gain (loss) on the HK\$/US\$ net-settled structured foreign currency forward contracts entered into by the Group.

## **HUMAN RESOURCES**

As at 30 September 2019, the Group had a total of 276 employees (30 September 2018: 291 employees). For the Period, the total staff costs including Directors' emoluments was approximately HK\$55.1 million (Previous Period: HK\$52.0 million). The Group offers a competitive remuneration package to its employees, including mandatory provident funds in accordance with the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) and medical insurance coverage to employees who are retained after the probation period. The Group will review the performance of its employees and make reference to such performance reviews in its salary and/or promotional review in order to attract and retain talented employees.

In order to promote overall efficiency, employee loyalty and retention, employees of the Group are required to attend orientation sessions when they first join the Group and may attend other training courses held onsite or externally. The Group has also implemented (i) an educational subsidy programme to its employees to allow them to enrol courses relating to IT services from external organisations; (ii) an university education subsidy programme for children of its employees; and (iii) a medical check programme for its employees.

The Company adopted a share option scheme (the “**Share Option Scheme**”) on 15 February 2017 (the “**Adoption Date**”). As such, share options may be granted to eligible employees of the Group pursuant to the Share Option Scheme. During the period from the Adoption Date to the date of this announcement, no share options have been granted under the Share Option Scheme.

#### **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the Period (Previous Period: HK\$0.04 per share).

#### **SIGNIFICANT INVESTMENTS HELD**

The Group did not hold any significant investments during the Period.

#### **MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES, AND PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

The Group had no material acquisitions or disposals of subsidiaries, associates or joint ventures during the Period and there is no future plan for material investments or capital assets as at 30 September 2019.

## USE OF PROCEEDS

The net proceeds (the “**Net Proceeds**”) from the initial public offering of the Company in March 2017 amounted to approximately HK\$56.0 million (after deducting underwriting commissions and related expenses). As at 30 September 2019, the Group had utilised approximately HK\$34.3 million of the Net Proceeds in accordance with the proposed applications as set out in the section headed “Future Plans and Use of Proceeds” of the prospectus of the Company dated 24 February 2017 (the “**Prospectus**”), details of which are set out as follows:

Use	Approximate amount of Net Proceeds <i>(HK\$'million)</i>	Approximate percentage of Net Proceeds	Approximate amount utilised as at 30 September 2019 <i>(HK\$'million)</i>
Upgrading of the IT management systems of the Group	19.6	35%	5.8
Enhancing of the Group’s capability to undertake large-scale contracts	14.0	25%	10.8
Recruitment and training of employees	11.2	20%	10.8
Strengthening the marketing efforts of the Group	5.6	10%	1.4
Additional working capital and other general corporate purposes	5.6	10%	5.5
	<u>56.0</u>	<u>100%</u>	<u>34.3</u>

As at 30 September 2019, the unutilised Net Proceeds, have been deposited into short-term demand deposits with authorised financial institutions and/or licensed banks in Hong Kong. The unutilised Net Proceeds will be utilised in accordance with the proposed applications as set out in the section headed “Future Plans and Use of Proceeds” of the Prospectus.

## **FUTURE OUTLOOK**

There was a fruitful result in the first six months of the Group recorded the growth of revenue. The Group will continue to take proactive steps to adapt and expand our scope of services to ensure the satisfaction of our customers and enhance our service capabilities. We also deepen our market penetration by integrating our value-added services into our customer's business.

Due to the trade tensions between China and the United States, and the economy environment of Hong Kong, it is a challenging year of the Group. The Group's management team is widening the business and empowering the employee to maintain and expand the market value to our customers and business partners. Once again, we will live our mission and "Create the Value, Explore the Future".

## **PURCHASE, REDEMPTION OR SALE OF THE LISTED SECURITIES OF THE COMPANY**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Period.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Company is committed to achieving good corporate governance practices by emphasising its accountability, transparency, independence, responsibility and fairness. The Company's corporate governance practices are based on the principles (the "**Principles**") and code provisions (the "**Code Provisions**") in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

Save for Code Provision A.2.1 of the CG Code as disclosed below, the Company has applied the Principles and complied with all the applicable Code Provisions during the Period.

The chairman of the Board is responsible for overseeing the strategic planning and leadership of the Group and for ensuring that the entire Board members are properly briefed on issues at Board meetings and receive adequate and reliable information on a timely basis. The chief executive officer of the Group (the "**Chief Executive Officer**") is responsible for the strategic development and maintaining the Company's relationship with companies outside of the Group. The senior management is responsible for effective implementation of the Board's decisions and the day-to-day operations of the Group.

Code Provision A.2.1 of the CG Code provides that the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not at present separate roles of the chairman and chief executive officer. Mr. Chu Ming Ho is currently the chairman of the Board and the Chief Executive Officer. In view of the fact that Mr. Chu Ming Ho has been assuming the day-to-day responsibilities in operating and managing the Company since April 2000, the Board believes that it is in the best interest of the Company for Mr. Chu Ming Ho to assume both roles for effective management and business development. Therefore, the Directors consider that the deviation from Code Provision A.2.1 of the CG Code is appropriate in such circumstances. Notwithstanding the above, the Board is of the view that this management structure is effective for the Group's operations and sufficient checks and balances are in place.

### **COMPLIANCE WITH THE MODEL CODE**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules (the “**Model Code**”) as the guidelines for the Directors' dealings in the securities of the Company.

Specific enquiries had been made to all Directors and all the Directors have confirmed that they have fully complied with the required standards and provisions as set out in the Model Code during the Period.

### **REVIEW OF INTERIM RESULTS**

The unaudited interim results of the Group for the Period have been reviewed by the audit committee of the Board.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

This interim results announcement is published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and on the Company's website at [www.microware1985.com](http://www.microware1985.com). The interim report of the Company for the Period containing all the relevant information required by the Listing Rules will be despatched to the Shareholders and also published on the websites of the Stock Exchange and the Company in due course.

By order of the Board  
**Microware Group Limited**  
**Chu Ming Ho**

*Chairman, executive Director and Chief Executive Officer*

Hong Kong, 21 November 2019

*As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Chu Ming Ho and Mr. Yang Peter Shun Tsing, one non-executive Director, namely Mr. Wan Yiu Hon and three independent non-executive Directors, namely Mr. Cheng Tak Chung, Ms. Li Wai Man and Mr. Li Richard King Hang.*